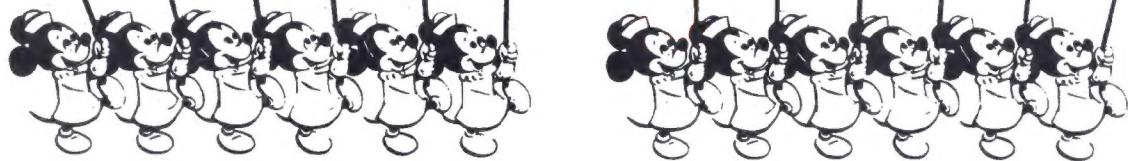


WALT DISNEY PRODUCTIONS



ANNUAL REPORT



to Shareholders and Employees

Fiscal Year Ended Oct. 1, 1955

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WALT DISNEY PRODUCTIONS

2400 West Alameda Avenue, Burbank, Calif.

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Board of Directors

Walter E. Disney	Burbank, California
Roy O. Disney	Burbank, California
Gunther R. Lessing	Burbank, California
Paul L. Pease	Burbank, California
Floyd B. Odlum	New York, New York President, <i>Atlas Corporation</i>
Gordon E. Youngman	Beverly Hills, California <i>Youngman, Hungate and Leopold - Attorneys</i>

Officers

Walter E. Disney	<i>Chairman of Board of Directors</i>
Roy O. Disney	<i>President</i>
Gunther R. Lessing	<i>Vice President and General Counsel</i>
Oliver B. Johnston	<i>Vice President in charge of Character Merchandising</i>
Paul L. Pease	<i>Treasurer</i>
James A. Johnson	<i>Secretary</i>
Lawrence E. Tryon	<i>Assistant Treasurer</i>
Orbin V. Melton	<i>Assistant Treasurer</i>
Spencer C. Olin	<i>Assistant Secretary</i>
Franklin Waldheim	<i>Assistant Secretary and Eastern Counsel</i>

STOCK TRANSFER AGENTS:	Bank of America, N.T.&S.A., Los Angeles, California Irving Trust Company, New York, N. Y.
STOCK REGISTRARS:	California Bank, Los Angeles, California City Bank Farmers Trust Company, New York, N. Y.
DEBENTURE TRUSTEES:	Bank of America, N.T.&S.A., Los Angeles, California
ANNUAL MEETING OF STOCKHOLDERS:	First Tuesday in February at the offices of the company, 2400 West Alameda Avenue, Burbank, California.

This report is distributed for the information of stockholders and employees of the company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities.

... AS WE GO TO PRESS

BURBANK, CALIF. — "Man and the Moon," Walt Disney's newest science-factual program from the Tomorrowland realm of Disneyland-TV, is attracting worldwide attention following its showing over ABC-TV network. The production reveals in detail how a manned space station may be constructed 1,075 miles above the earth, a prophetic extension of Uncle Sam's own plan to launch an unmanned satellite during the International Geophysical Year in July, 1957 to December, 1958.

LONDON — England will meet Davy Crockett in the flesh when Fess Parker arrives in March for six weeks of personal appearances. Walt Disney developed a special show reviewing the amazing success of both Davy and Fess in the U. S. which was prepared for presentation on BBC-TV Christmas Day following the Queen's address. The show was designed to acquaint Britons with the king of the wild frontier prior to the picture's London release this winter.

NEW ZEALAND — Veteran film reporters Lloyd Beebe and Elmo Jones are accompanying Navy photographers to Antarctica, where they will photograph all phases of Operation Deepfreeze for Walt Disney. Progress reports on Operation Deepfreeze, the United States' most ambitious Antarctic expedition, will be shown over Disney's television outlets. Disney also plans to produce a full-length motion picture on the subject in CinemaScope and Technicolor.

NEW YORK — Walt Disney and various of his productions have received honors from five nationally known organizations recently. Disney was presented with an award from the Audubon Society for his service to conservation, and was named Man of the Year by the Beverly Hills B'nai B'rith. His Disneyland-TV won an award from Look Magazine, while a 1955 Sylvania TV Award went to The Mickey Mouse Club. "The African Lion" received a Thomas Alva Edison Foundation Award as the best Science Film for Youth in 1955.

BURBANK, CALIF. — To satisfy a factual film release schedule that extends well into 1960, Walt Disney has more than 40 photographers at work throughout the world. They are filming True Life Adventure and People & Places subjects in such scattered locales as Australia, the Arctic Wilder-

ness, Lapland, Samoa, Japan, the islands of the sea, Portugal, England, Scotland, Wales and Antarctica.

DISNEYLAND (ANAHEIM, CALIF.) — "Walt Disney's Magic Kingdom" is originating from Disneyland as a new daily radio program over the ABC radio network. This marks Disney's third regular production for the American Broadcasting Company and is designed as a morning audience participation series of general appeal.

HOLLYWOOD — Among the top ten since its premiere, Disneyland-TV has advanced to third place in national audience ratings according to a late Nielsen survey. The report discloses that Disneyland is being watched in more than 14 million homes. The Mickey Mouse Club dominates all weekday daytime shows, reaching 5½ million homes daily.

NEW YORK — For the first time, Parents' Magazine has bestowed one of its annual awards on a previous holder. Walt Disney, who was similarly honored in 1933, received a 1955 medal award from the publication "for outstanding service to children."

BURBANK — Reports from around the globe indicate that a trio of Walt Disney screen productions are living up to their predicted success. In Japan, the SuperScope version of "Fantasia" is enjoying new acclaim and popularity. In Europe, first-run openings of "20,000 Leagues Under the Sea" are setting boxoffice records, and our second True Life Adventure feature, "The Vanishing Prairie" is closely following the pattern of its predecessor, "The Living Desert." "Lady and the Tramp" opened in key cities of all the countries of Europe on or about Christmas Day.

BURBANK, CALIF. — To tell the story behind his CinemaScope Technicolor production of "The Great Locomotive Chase," Walt Disney is producing a Disneyland-TV program titled "A True Life Adventure With Fess Parker." As star of both shows Parker takes television audiences to Clayton, Georgia and lets them witness location filming there. The telecast contains the kind of offbeat backstage entertainment that won an Emmy for "Operation Undersea" last season.





PRODUCT AND PROSPECTS FOR THE 1956 SEASON

Exciting and productive as the past year has been for us, the coming twelve months promise even greater satisfaction in our scheduled operations and output.

Public response to Disneyland the Park during the first six months met our expectations. The Mickey Mouse Club TV show was auspiciously launched. Our theatrical productions and weekly Disneyland television program brought continuing gratifying results. These combined activities have given us bright prospects for the future.

We have been especially pleased by the fine support the general public has accorded our television programs. Millions of our friends have watched these shows and have continued at the same time to patronize our theatrical films. This confirms our original judgment that these two great media of entertainment need not be unduly competitive. It also offers a welcome challenge to meet the responsibilities implied in entering so many millions of American homes; to keep our standards high.

Theatrical productions for 1956 will exceed in quantity and variety anything we have heretofore undertaken for a similar period. Many pictures will have the added splendors of CinemaScope and Technicolor.

To insure this elaborate program in the theatres and on TV, we have proportionally increased our technical equipment and our creative personnel — men and women whose skills and enthusiasms have so greatly helped us carry through our successful expansions.

Our schedule of theatrical productions for 1956, further details of which are set forth in the president's letter, will include three live action Technicolor features — THE GREAT LOCOMOTIVE CHASE, WESTWARD HO THE WAGONS and THE LIGHT IN THE FOREST.

Two True Life Adventures — SECRETS OF LIFE and PERRI, the latter a unique living animal fantasy.

Two reissue features — FANTASIA and SONG OF THE SOUTH.

Three factuals in the People and Places series — BLUE MEN OF MOROCCO, SARDINIA and MEN AGAINST THE ARCTIC.

In addition to this list of fine and varied theatre releases, we will also produce new programs for the Disneyland and The Mickey Mouse Club telecasts to meet our established standards and create special events and new features for Disneyland the Park.

Well along in production is SLEEPING BEAUTY, our next major cartoon feature. We expect this picture to be completed early in 1958. It promises to be a subject of great beauty and charm.

All these projects, I am happy to report, represent the finest skills, the resourcefulness and the best showmanly efforts of our organization, both in the production and promotional phases, as we face a year which I am confident will be our best yet.

Walt Disney

from the desk of the



TO OUR SHAREHOLDERS AND EMPLOYEES...

Net Profit

Consolidated net profit of Walt Disney Productions and its domestic subsidiaries (all wholly owned) for the fiscal year ended October 1, 1955 was \$1,352,576 representing \$2.07 per common share on the 652,840 shares outstanding. This compares with a 1954 net profit of \$738,852 equal to \$1.12 per share.

Federal income tax provision of \$1,150,000 was required in 1955 as compared with a provision of \$840,000 last year.

The inventory of television programs in process has been written down by \$2,026,800 to value it at the amount of the fixed commitment payable to us by American Broadcasting Company. This amount, included in "Amortization of Production Costs" on the Income Account, is substantially offset by revenue received during the year from the theatrical distribution of the Davy Crockett feature motion picture, which was originally produced for and shown on television.

Although the write down of television inventory has adversely affected the income account this year, we believe that the company will realize much additional revenue from the Davy Crockett feature abroad and from the eventual distribution of our television shows in foreign countries.

Gross Income

Gross income for the year amounted to \$24,638,652 as compared with \$11,641,408 in 1954. Substantial grosses on two feature-length motion pictures, 20,000 LEAGUES UNDER THE SEA and LADY AND THE TRAMP, account for much of the increase. Other important factors were the gross revenue from television and the theatrical release of DAVY CROCKETT, KING OF THE WILD FRONTIER.

It should be borne in mind that the gross film rental income for the current year is not strictly comparable with that of prior years because of the adoption during the year of the policy of distributing all pictures in the United States and Great Britain through our wholly owned subsidiaries.

Aided by the impetus of television important increases in gross revenue occurred in the Character

Merchandising Division and our two wholly owned music publishing subsidiaries, Walt Disney Music Company and Wonderland Music Company.

Year's Highlights

The company's 1955 fiscal year was a notable one. It saw the launching of several coordinated new lines of major activity, all of which added great strength and diversification to our over-all operations. They were:

First - Our initial weekly one-hour evening television show, DISNEYLAND, began appearing October 27, 1954 on the national network of the American Broadcasting Company.

Second - Our wholly-owned subsidiaries, Buena Vista Film Distribution Co., Inc. (U.S.A.) and Walt Disney Film Distributors, Ltd. (Great Britain), expanded their activities and started releasing their first major product - Walt Disney's feature motion picture, 20,000 LEAGUES UNDER THE SEA. Later on, they began the distribution of our first CinemaScope animated cartoon feature, LADY AND THE TRAMP.

Third - Early in 1955 we commenced production of a new series of television programs, THE MICKEY MOUSE CLUB show, a daily (Monday through Friday) one-hour film program especially designed for children. The first program was broadcast nationally over ABC on October 3, 1955.

Fourth - The 160-acre amusement park at Anaheim, California, DISNEYLAND, was opened on the 17th of July 1955, as scheduled.

Financial Condition

The inauguration of these important new activities drew heavily on working capital. The write down of television inventory and the additional investment in Disneyland, Inc. together with a net increase of \$920,534 in plant and equipment adversely affected working capital which decreased by \$1,630,858 during the year.

The mid-year report to shareholders and employees last May told of the expansion of original Disneyland park plans. The result was a larger and finer park than first envisioned. To help bring this about Walt Disney Productions has advanced to Disneyland, Inc. \$2,358,800, in addition to our stock

investment of \$500,000, and had at the fiscal year end invested approximately \$600,000 in several attractions at Disneyland which are operated as concessions by Walt Disney Productions. Our associate, American Broadcasting-Paramount Theatres, Inc., has matched these advances proportionate to their stock holdings in Disneyland, Inc. and also operate certain concessions in the park. Advances by shareholders of Disneyland, Inc. are subordinated to the park's senior seven year mortgage indebtedness of \$4,400,000 original amount, reduced now to \$3,850,000.

Our television commitments to American Broadcasting Company for the ensuing year cover the production of 26 one-hour Disneyland and 100 one-hour Mickey Mouse Club television shows. The total — 126 hours of new filmed shows per year — is more hours of entertainment than the company produced in its entire history prior to going on television. It is a big undertaking and has required augmenting our staff and enlarging our physical production facilities.

Bank loans were reduced by \$968,277 in 1955 to \$6,618,280. However, due to the requirements of our production schedule for 1956 they are expected to rise substantially by next year end. Banking arrangements to provide this money have been made with the Bank of America and Bankers Trust Company.

One of the prime objectives of management in the coming year will be to take steps to replace a substantial portion of our short term borrowings with long term financing to secure a substantial improvement in our working capital position. Since earnings for 1956 are expected to equal or exceed those of 1955, it is management's intention to begin payment of dividends when the refinancing has been accomplished.

Theatrical Product

Distribution of our theatrical product in the United States and England through our own wholly-owned subsidiaries has proven very successful. We have developed a small but very efficient and enthusiastic sales organization which has shown that it can sell our product widely and well, and at a very substantial saving over our previous method of distribution through third party organizations. Outside of the United States and England we distribute through native distribution companies or through foreign branches of American companies.

Our True Life Adventure pictures continue to be exceptionally well received by the public world wide and very profitable. We have a program in production that assures one new True Life feature picture a year. The latest one, THE AFRICAN LION, is starting its release in fashion comparable to its predecessors, THE VANISHING PRAIRIE

and THE LIVING DESERT. Late in 1956, the next subject, SECRETS OF LIFE, will follow. This is probably the most promising and exciting picture in the whole series to date.

In the cartoon medium, our first CinemaScope cartoon feature, LADY AND THE TRAMP, is currently in release and is meeting with great success. It promises to be the highest grossing cartoon feature world wide in our company's history.

Our live action motion picture, 20,000 LEAGUES UNDER THE SEA is now well along in release. We expect it to gross world wide substantially in excess of any previous Walt Disney motion picture.

Currently in live action production we have a feature picture based on the great and stirring Civil War drama, the story of THE GREAT LOCOMOTIVE CHASE, starring Fess Parker. This is a top quality production in which we have great expectations.

Scheduled to go into production on January 9, 1956 is the feature motion picture entitled, WESTWARD HO THE WAGONS, adapted from the book Children of the Covered Wagon by Mary Jane Carr. In preparation for shooting, beginning in May of 1956, is that great American novel by Conrad Richter, THE LIGHT IN THE FOREST. Each of these will be a top budget picture, with fine direction and cast, produced in CinemaScope and Technicolor and, in our opinion, well suited to the world wide market.

In addition to the foregoing we have in production several short films of the "People and Places" series and a few cartoon shorts, designed as complementary program footage to our feature product.

All of this adds up to the greatest program of motion picture product in the history of the company.

Our current releasing schedule for the United States is as follows:

THE AFRICAN LION — a True Life Adventure film released in the fall of 1955.

THE LITTLEST OUTLAW — a live action Technicolor feature produced in Mexico, starring Pedro Armendariz, to begin release at Christmas 1955.

SONG OF THE SOUTH — reissue cartoon-live action feature to be released February-March 1956.

THE GREAT LOCOMOTIVE CHASE — Technicolor live action feature, starring Fess Parker, to be released June-July 1956.

SECRETS OF LIFE — a True Life Adventure feature to be released October 1956.

THE STORY OF PERRI — a True Life Fantasy to be released Christmas 1956.

THE LIGHT IN THE FOREST — a Technicolor live action feature — February 1957.

We will also have another Davy Crockett feature for the theatres arising out of this year's television product and we are planning a limited, selective re-release of FANTASIA in SuperScope with true stereophonic sound.

Television

Both our nighttime weekly DISNEYLAND television show and our daily afternoon MICKEY MOUSE CLUB show have met with a wonderful reception from the public but our production costs to date have been substantially greater than the direct income. Fortunately we have been able to recover most of these excess costs from other revenue indirectly attributable to T V. However, with respect to future television production, unless we can realize a proper direct profit from television pictures our output in this medium will be greatly reduced.

Disneyland — The Park

The accounts of Disneyland, Inc. which owns and operates Disneyland amusement park in Anaheim, California, are not included in the accompanying financial statements. Walt Disney Productions owns 34.48% of Disneyland, Inc. with an investment of \$500,000 in common stock, and holds options on shares aggregating 31.04% presently owned by Walter E. Disney, WED Enterprises and Western Printing and Lithographing Company of Racine, Wisconsin. The options are exercisable at any time before May 1, 1959 for a total price which will not exceed \$562,500. The remaining 34.48% is owned by American Broadcasting-Paramount Theatres, Inc. Our investment in stock and advances to Disneyland, Inc. totaling \$2,883,101 (including \$24,301 accrued interest) is carried on the Walt Disney Productions Balance Sheet at approximately book value.

Disneyland is performing well. In every major respect its first four months of operations have closely approximated or bettered the results which our pre-opening research led us to expect. Attendance is conforming to anticipated seasonal patterns and in total is within five percent of our estimates.

The summer season produced excellent revenue and we are now learning to live with the problems which accompany winter weather. Next spring should see an upturn in business with the summer vacation period being the best of all. For the park's first fiscal year, which will end July 31, 1956, we expect earnings to be sufficient to absorb the year's depreciation and all of the pre-opening expenses, leaving a small net after taxes. By the nature of the business, depreciation will be heavy. We estimate

that Disneyland will earn back its original cost in five to seven years.

There have been over 1,600,000 paid admissions at Disneyland to date with an average expenditure per visitor for parking, admission, rides and amusements of \$2.29.

Personnel

Our expanded program in production of live action and television films and in distribution has necessarily increased the number of employees. We now have 1,271 employees as compared with 855 a year ago.

Increased activity in the live action field made it advisable to join with the other major studios for union negotiation purposes. As a member of the Association of Motion Picture Producers we have jointly concluded contract negotiations with a majority of the labor unions. The agreements are for a three-year term with no reopening clause. Significant provisions are: reduction of the work week from six to five days; increased contributions by employees and the company to the Motion Picture Industry Pension Plan, resulting in an increase in retirement benefits from \$20.00 to \$50.00 per month; three weeks vacation for employees with twelve years or more service; and increases in hourly rates.

It is estimated that the new contracts will cost the company an additional \$800,000 to \$1,000,000 annually.

The conversion to a shorter work week cannot be made without alterations in production plans. The unions have all assured us of their cooperation in meeting the problems due to this change.

Management hopes the shorter work week and other benefits will result in greater efficiency, and increased production.

This past year has been a most busy one for all of our personnel. The many accomplishments were made possible only through the fine efforts and loyalty of our people, to whom management expresses its sincere thanks.



Walt Disney
President

December 23, 1955.

THE BIG ENTERTAINMENT

MAGIC KINGDOM
Disneyland
ANAHEIM, CALIF.

MEN
AGAINST
THE
ARCTIC

Secrets
of
Life

The
Littlest
Outlaw

DAVY
CROCKETT
AND THE
RIVER PIRATES

TOBY TYLER
AT THE
CIRCUS

FANTASIA

Bambi



ENTERTAINMENT PARADE

WEEKLY
DISNEYLAND
TELEVISION
SHOW

**LIGHT
IN THE
FOREST**

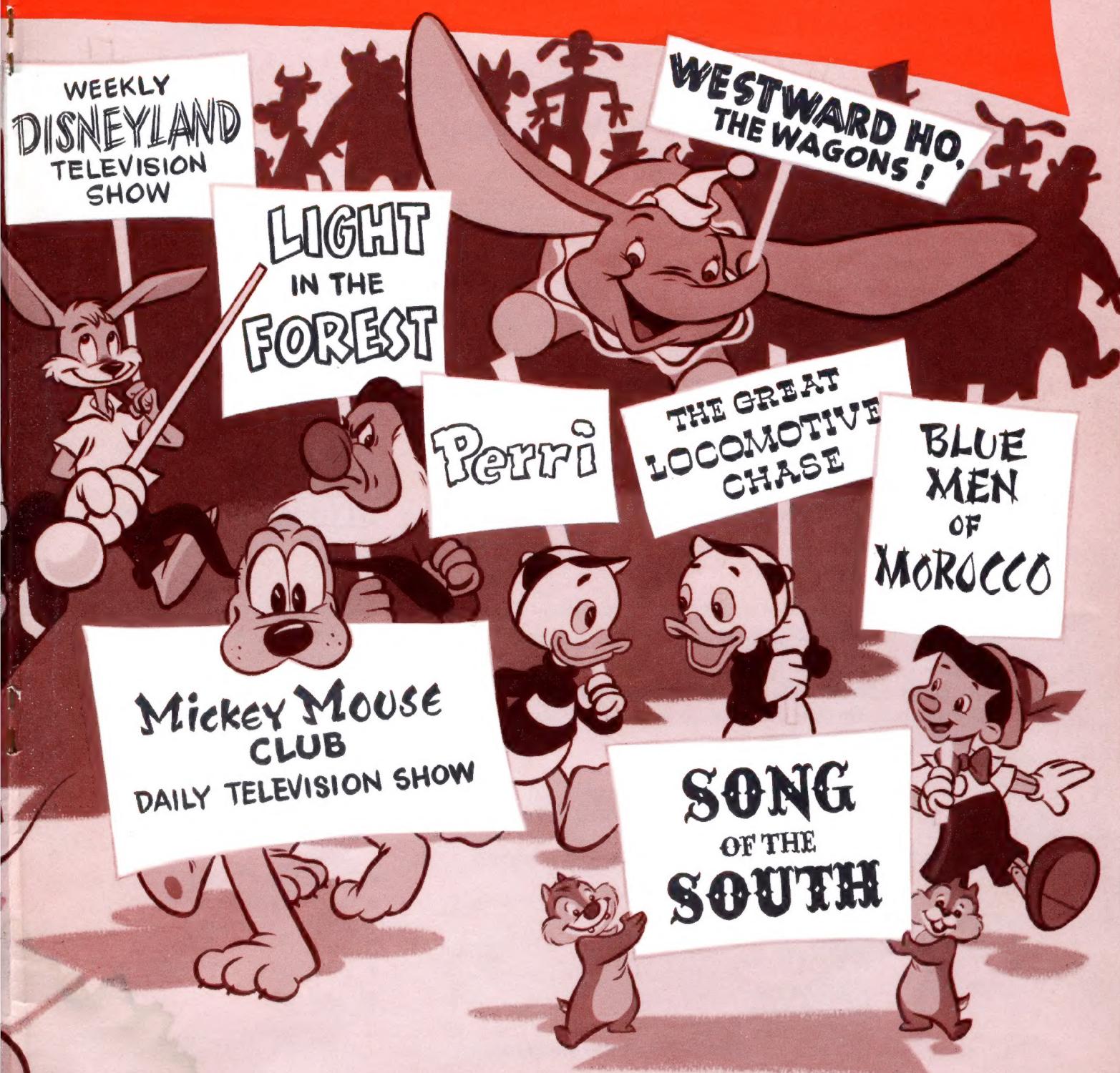
Perri

THE GREAT
LOCOMOTIVE
CHASE

BLUE
MEN
OF
MOROCCO

**MICKEY MOUSE
CLUB**
DAILY TELEVISION SHOW

**SONG
OF THE
SOUTH**



Walt Disney Product

(INCORPORATED)

CONSOLIDATED

ASSETS

	<i>Oct. 1, 1955</i>	<i>Oct. 2, 1954</i>
CURRENT AND WORKING ASSETS		
Cash	\$ 1,201,304	\$ 730,772
Accounts receivable (including \$370,790 in 1955 and \$36,113 in 1954 due from affiliated companies)	829,447	184,946
Prepaid insurance	40,457	85,019
	<u>\$ 2,071,208</u>	<u>\$ 1,000,737</u>
Inventories, at cost or market whichever is lower (Notes 2 and 3) —		
Productions in process	\$ 7,802,936	\$11,104,884
Completed productions, less amortization	4,532,959	3,362,059
Story rights and pre-production costs	376,114	648,997
Prints, raw materials and supplies	432,228	197,272
	<u>\$13,144,237</u>	<u>\$15,313,212</u>
Less — Provision for possible excess over estimated realizable amounts	500,000	900,000
Total inventories	<u>\$12,644,237</u>	<u>\$14,413,212</u>
Total current and working assets	<u>\$14,715,445</u>	<u>\$15,413,949</u>
OTHER ASSETS		
Cash surrender value of insurance on life of officer	\$ 180,462	\$ 128,695
Investment in Disneyland, Inc., at cost (34% owned)		
Capital stock	500,000	500,000
Notes, due April, 1962, and accrued interest	2,383,101	
Investments in foreign subsidiaries not consolidated, less amortization (Note 1)	9,367	9,367
	<u>\$ 3,072,930</u>	<u>\$ 638,062</u>
CAPITAL ASSETS		
Land, buildings, equipment and leasehold improvements, at cost	\$ 7,208,684	\$ 5,979,455
Less — Depreciation	3,648,584	3,339,889
	<u>\$ 3,560,100</u>	<u>\$ 2,639,566</u>
DEFERRED CHARGES	<u>\$ 287,086</u>	<u>\$ 414,731</u>
	<u><u>\$21,635,561</u></u>	<u><u>\$19,106,308</u></u>

(See notes to the financial statements)

ions and Subsidiaries

IN CALIFORNIA)

BALANCE SHEET

LIABILITIES

	<i>Oct. 1, 1955</i>	<i>Oct. 2, 1954</i>
CURRENT LIABILITIES		
Bank loans (secured as explained in Note 3)	\$ 6,618,280	\$ 7,586,557
Accounts payable and accrued expenses	1,805,454	976,055
Advances under contracts	1,215,419	398,654
Property, social security and other taxes	516,765	321,225
Estimated taxes on income (all years through September 30, 1953 closed)	1,426,921	948,229
Payable for pictures produced in England by subsidiary . . .	331,635	677,561
Advances payable only in blocked British sterling . . .		73,839
Total current liabilities	<u>\$11,914,474</u>	<u>\$10,982,120</u>
UNEARNED DEPOSITS	<u>\$ 588,361</u>	<u>\$ 344,038</u>
LONG TERM LIABILITY		
4% debentures, Series A, due July 1, 1960 (Note 3)	<u>\$ 243,740</u>	<u>\$ 243,740</u>
STOCKHOLDERS EQUITY		
(represented by 652,840 shares of \$5 par value common stock issued and outstanding of 1,000,000 shares authorized)		
Stated capital	\$ 6,000,000	\$ 6,000,000
Earnings retained in the business (Note 3), per accompanying statement	2,888,986	1,536,410
	<u>\$ 8,888,986</u>	<u>\$ 7,536,410</u>
	<u>\$21,635,561</u>	<u>\$19,106,308</u>

(See notes to the financial statements)



Walt Disney Productions and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME ACCOUNT

Year Ended
Oct. 1, 1955 Oct. 2, 1954

INCOME

Film rental and television income (Note 4)	\$ 20,222,595	\$ 8,977,384
Other income — from publications, newspaper comics, licensing cartoon characters and music	4,416,057	2,664,024
TOTAL INCOME	<u>\$24,638,652</u>	<u>\$11,641,408</u>

COSTS AND EXPENSES

Amortization of production costs (Note 2)	\$12,691,652	\$ 5,154,234
Distribution costs — prints, advertising, etc.	2,401,624	479,999
Costs applicable to other income	2,550,507	1,812,607
General, administrative and selling expenses	3,693,532	2,135,780
Interest expense	434,926	371,333
Stories and pre-production costs abandoned	363,835	113,603
Estimated taxes on income	1,150,000	840,000
TOTAL COSTS AND EXPENSES	<u>\$23,286,076</u>	<u>\$10,907,556</u>

PROFIT FOR THE YEAR

\$ 1,352,576 \$ 733,852

(See notes to the financial statements)

Walt Disney Productions and Subsidiaries
**CONSOLIDATED STATEMENT OF EARNINGS RETAINED
 IN THE BUSINESS**

	<i>Year Ended</i>	
	<i>Oct. 1, 1955</i>	<i>Oct. 2, 1954</i>
Balance at beginning of year	\$ 1,536,410	\$ 802,558
Profit for the year	1,352,576	733,852
Balance at end of year (Note 3)	<u>\$ 2,888,986</u>	<u>\$ 1,536,410</u>

(See notes to the financial statements)

PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET

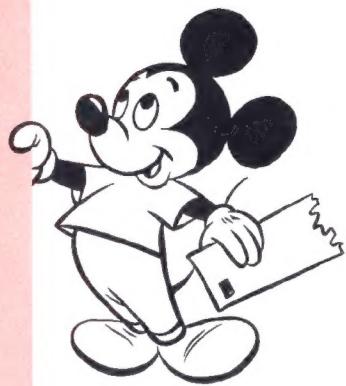
LOS ANGELES 14

December 16 1955

To the Board of Directors of
 Walt Disney Productions

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Walt Disney Productions and subsidiaries at October 1 1955, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.



NOTES TO *The* FINANCIAL STATEMENTS

Note 1 PRINCIPLES OF CONSOLIDATION

The accounts of all wholly owned domestic subsidiaries have been consolidated in the accompanying financial statements. All significant inter-company transactions have been eliminated.

The accounts of foreign subsidiaries, all wholly owned, have not been consolidated because of exchange restrictions. These companies produce and distribute pictures, license the use of the company's cartoon characters or publish music in various foreign countries. Royalties, dividends and other revenues received from these companies have been taken into income account as received and the investment accounts representing approximate net book value of the subsidiaries at dates of acquisition have not been adjusted to reflect changes (which are not significant) in the net book values of the companies since acquisition.

Note 2 INVENTORIES

Costs of completed productions are being charged to income account in the proportion that the income received by the company bears to the estimated total to be received.

The \$500,000 provision for possible excess of stated values of inventories over estimated realizable amounts at October 1, 1955, is based on possible losses from certain items now in the inventory and does not take into account anticipated profits on other inventory items.

Note 3 BANK LOANS AND LONG TERM LIABILITY

Motion pictures, television productions, certain merchandising licenses and revenues to be derived therefrom are pledged to secure the bank loans. Under the terms of the credit agreements no dividends can be paid without permission of the banks.

The indenture, under which the 4% debentures, Series A, due July 1, 1960 were issued, permits the payment of cash dividends on any class of stock or the purchase or retirement of common stock only if the retirement and other provisions of the indenture have been complied with, and then only if the company has accumulated net earnings subsequent to September 30, 1944 in excess of two years interest on the debentures, which was \$19,499 at October 1, 1955.

Dividends payable in stock of the company may be paid on any class of stock without restriction. The indenture also requires a sinking fund to be provided out of earnings which obligation the company had met to October 1, 1955. The indenture also provides, at the option of the company, for the retirement of debentures other than through the operation of the sinking fund at par.

Note 4 METHOD OF ACCOUNTING FOR REVENUE

The company records foreign income at the time of receipt of remittances in United States dollars or at the time of expenditure of foreign currencies abroad for the account of the company.

At October 1, 1955, there was approximately \$1,600,000 (at current trading rates of exchange) of blocked currencies in foreign countries representing the company's share of income which has not been reflected as an asset or as income in the attached statements.



A FIVE-YEAR COMPARISON

FISCAL YEARS ENDED SEPTEMBER 30	1955	1954	1953	1952	1951
OPERATIONS:					
Gross income	\$24,638,652	\$11,641,408	8,365,861	7,722,819	6,287,539
Costs and expenses					
Amortization of production costs . . .	\$12,691,652	\$ 5,154,234	4,278,601	4,382,163	2,998,376
Interest expense	484,926	371,333	146,716	108,987	132,105
Other costs and expenses	9,009,498	4,541,989	3,065,118	2,704,860	2,520,218
Provision for taxes on income	1,150,000	840,000	365,000	75,000	207,000
Total costs and expenses	\$23,286,076	\$10,907,556	7,855,435	7,271,010	5,857,699
Profit	\$ 1,352,576	\$ 733,852	510,426	451,809	429,840
Earnings per common share	\$ 2.07	\$ 1.12	.79	.69	.65
FINANCIAL CONDITION:					
Current assets	\$14,715,445	\$15,413,949	11,180,534	9,694,882	9,239,509
Current liabilities	11,914,474	10,982,120	6,387,794	4,870,348	4,093,501
Net working capital	\$ 2,800,971	\$ 4,431,829	4,792,740	4,824,534	5,146,008
Land, buildings and equipment after deducting depreciation	3,560,100	2,639,566	2,177,317	1,728,588	1,704,058
Other assets and deferred charges	3,360,016	1,052,793	394,116	208,467	159,284
Unearned income	(588,361)	(344,038)	(317,575)	(200,827)	(451,732)
Long term liabilities	(243,740)	(243,740)	(244,040)	(268,630)	(717,295)
Stockholders equity	\$ 8,888,986	\$ 7,536,410	6,802,558	6,292,132	5,840,323
Net worth per share of common stock . . .	\$ 13.62	\$ 11.54	10.42	9.63	8.94
STOCKHOLDERS EQUITY REPRESENTED BY:					
Common stock	\$ 6,000,000	\$ 6,000,000	6,000,000	3,264,200	3,264,200
Other paid in capital	—	—	—	969,538	969,538
Earnings retained in the business	2,888,986	1,536,410	802,558	2,058,394	1,606,585
Total stockholders equity	\$ 8,888,986	\$ 7,536,410	6,802,558	6,292,132	5,840,323
Number of shares outstanding — common . .	652,840	652,840	652,840	652,840	652,840

